

MAXIMUM LEVY

**Standards and Procedures for Property Tax Levy Cap for
Rhode Island Cities and Towns**

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**State of Rhode Island
Department of Administration (Department of Revenue)
Office of Municipal Affairs (Division of Property Valuation)
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STANDARDS AND PROCEDURES FOR PROPERTY TAX LEVY CAP

1.00 GENERAL

The Omnibus Property Tax Relief and Replacement Act of 1985, as amended by Chapter 253 of the Public Laws of 2006 entitled "Relating to Taxation – Property Taxes", amends several sections of the Rhode Island General Laws. In order to place an annual cap on local property tax levies, Chapter 253 amends RIGL Section 44-5-2 entitled "Maximum levy". As a result of the enactment of Chapter 253, several implementation issues have been raised that need to be addressed.

In order to provide clarification of these issues, the Department of Administration (Department of Revenue), Office of Municipal Affairs (Division of Property Valuation), hereby adopts, in accordance with Chapter 253 of the Public Laws of 2006, the standards and procedures contained within.

2.00 DEFINITIONS

For the purposes of these standards and procedures, the following definitions shall apply:

- 2.01 Official means the chief executive officer who has the primary responsibility for the conduct of the municipality's governmental affairs. An example of an official would be the elected mayor, elected or appointed administrator, appointed manager, elected first warden, or town council president.
- 2.02 Proposed property tax levy means the total dollar amount to be raised from the property tax, inclusive of the tax levy on real estate, tangible personal property, and motor vehicles, in support of the annual city/town budget.
- 2.03 Certified property tax levy means the total amount of taxes certified by each local assessor in their final amended tax levy certification in accordance with RIGL Section 45-13-2 of the General Laws of Rhode Island.
- 2.04 Prior year property tax levy means the final amended certified property tax levy in the year immediately preceding a proposed property tax levy.
- 2.05 Property tax rate means the property tax rate or rates applied to different classes of property expressed in dollars per thousand of assessed valuation.
- 2.06 Prior year property tax rate means the final property tax rate or rates applied to different classes of property in the year immediately preceding a proposed property tax rate.
- 2.07 General fund budget means those amounts appropriated by each city/town for the annual financial operations of the municipality, including debt service. For purposes of this definition, the general fund budget shall include the total unrestricted education budget if not already included in the general fund, provided however that exceptions to this definition shall apply to municipalities that appropriate a municipal share to school districts.

- 2.08 Non-property tax revenue means any local source of funding for the general fund other than the property tax revenue for the forthcoming year and shall include but not be limited to the following:
- 1) state general revenue sharing
 - 2) distressed community aid
 - 3) payment in lieu of taxes aid
 - 4) motor vehicle exemption reimbursements
 - 5) public service corporation tax payments
 - 6) meals and beverage tax distributions
 - 7) library aid
 - 8) state education aid
 - 9) other unrestricted state and federal aid
 - 10) licenses and fees
 - 11) other miscellaneous municipal revenue
 - 12) use of fund balance
- 2.09 Loss of non property tax revenue means a projected loss in receipts in the forthcoming fiscal year or a legislatively proposed loss in state aid which is projected in the general fund budget for the next fiscal year. A qualifying loss will be determined by the Department based upon a determination that a net loss in all non- property tax revenues will result.
- 2.10 Statutory cap means the maximum municipal percentage tax levy increase available to a municipality without an approved exemption. The statutory cap changes each year from a 5.25% increase in FY 2008 to a 4% increase in FY 2013.
- 2.11 Maximum property tax levy means the maximum dollar value of the tax levy on real estate, tangible personal property, and motor vehicles available by application of the statutory cap percentage increase limitation applicable to the specified fiscal year.
- 2.12 Department of Administration/Department of Revenue means the executive department assigned responsibility for administering the act. Chapter 253 of the Public Laws of 2006 assigned this responsibility to the Department of Administration. At the time of this enactment, Article 38 of Chapter 246 of the Public Laws of 2006 created the Department of Revenue and transferred responsibilities to the new department.
- 2.13 Office of Municipal Affairs/Division of Property Valuation means the executive unit assigned responsibility for administering the act. Chapter 253 of the Public Laws of 2006 assigned this responsibility to the Office of Municipal Affairs. Independently, Article 38 of Chapter 246 of the Public Laws of 2006 created a Division of Property Valuation in the new Department of Revenue and transferred to the new division.

3.00 PROCEDURES

- 3.01 On or before December 1st of each year, the Department of Administration (Department of Revenue) will notify each official, chief financial officer, and tax assessor of the maximum property tax levy allowed under RIGL Section 44-5-2 for the coming tax year. Included with this notification will be an explanation of the

procedures to be followed should the city/town anticipate exceeding the statutory cap. This information and procedures will be posted on the Office's website at www.muni-info.state.ri.us.

- 3.02 A. No later than fifteen (15) calendar days prior to adoption of the annual operating budget, a city/town may petition the Department of Administration (Department of Revenue) to override the levy cap in accordance with amended RIGL Section 44-5-2(d)(1) or (3). Such petition shall include documentation on anticipated losses in non-property tax revenues and debt service cost increases.
- B. No later than thirty (30) calendar days prior to adoption of the annual operating budget, a city/town may petition the Auditor General to override the levy cap in accordance with amended RIGL Section 44-5-2(d)(2). Such petition shall include documentation as the Auditor General shall require.
- C. No later than thirty (30) calendar days prior to adoption of the annual operating budget, a city/town may petition the Department of Administration (Department of Revenue) to override the levy cap in accordance with amended RIGL Section 44-5-2(d)(4). Such petition shall include documentation on growth related needs for expanded municipal services as the Department shall require.
- 3.03 Upon receipt of a petition to override the levy cap under amended RIGL Section 44-5-2(d)(1), the Department of Administration (Department of Revenue) may, at its discretion, verify the amounts of revenue losses.
- 3.04 In accordance with amended RIGL Section 44-5-2(d)(3) the Department shall certify the debt service increase above the applicable levy cap as identified in amended RIGL Section 44-5-2(b) of the prior year's debt service.
- 3.05 For those municipalities that have petitioned to exceed the cap based upon major new construction necessitating increased municipal expenditures the Department shall require:
- A. Documentation relating to the new construction including the value of the construction and the resulting increase in the municipal tax base.
- B. A budget describing and identifying the increased costs relating to the new construction.
- 3.06 Following receipt and review of the above materials, the Department of Administration (Department of Revenue) will then certify to the city/town official the amount of the loss in projected revenues or increased costs attributable to debt service or growth related to essential services to which the applicable cap in the forthcoming year may be exceeded. Such certification shall also include any amounts that have been certified by the Office of the Auditor General under RIGL Section 44-5-2(d)(2).
- 3.07 Once a city/town is notified that it may exceed the levy cap applicable to that year, the approval by at least a four fifths vote of the members of the governing body of the city/town, or a majority vote of electors in the case of financial town meeting community, must be certified in order to levy a tax in excess of the cap.

- 3.08 As part of the annual “Notice of Proposed Property Tax Rate Change” pursuant to RIGL Chapter 44-35, the Department of Administration (Department of Revenue) may require public disclosure of exceptions to the statutory cap authorized by these Procedures.